

J-REIT Monthly

May 2017

For your information only



Sumitomo Mitsui Asset Management

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1. J-REIT Market Monthly Review (for April 2017)

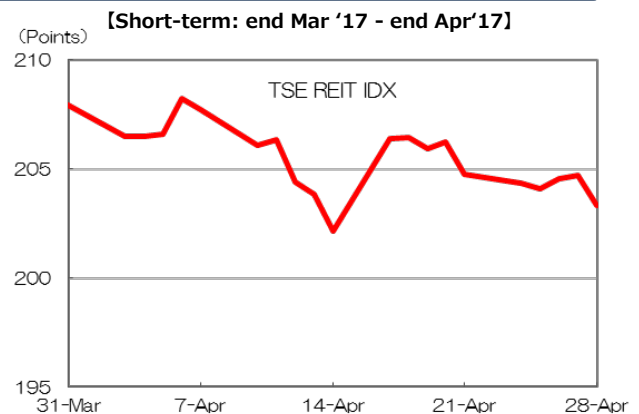
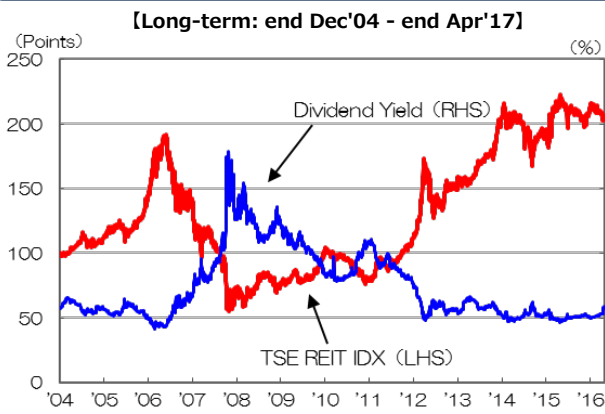
In April 2017, the TSE REIT Index (with dividends) dropped 2.2% MoM and moved on a bearish tone due to uncertainty of overseas environment such as increasing geopolitical risk and political instability in Europe.

The J-REIT market declined in the first half of the month affected by mounting geopolitical risks linked to North Korea. In the latter half of the month, North Korea remained calm, but the J-REIT market only rebounded temporary and the market upside was heavy. Despite BOJ's decision to maintain its current monetary easing policy on 27th April, the market did not react much and ended on a weak tone due to expectations on rise in interest rates. By sector, commercial logistics sector outperformed driven by logistics centers REITs.

April office vacancy rate in Tokyo five central wards improved to 3.60% at the lowest level in the last nine years. Rents are continuously increasing and robust business environment remains unchanged.

In April, BoJ bought JPY9.6 bn worth of J-REITs, by eight time purchases, mainly when REITs were falling.

2. TSE REIT Index (with dividends)



TSE REIT Index	As of 28-Apr-17	1week ago 21-Apr-17	1month ago 31-Mar-17	3months ago 31-Jan-17	6months ago 31-Oct-16	1year ago 30-Apr-16	3years ago 30-Apr-14
Index	3,234.60	3,257.31	3,307.66	3,407.69	3,269.40	3,465.54	2,520.81
%change	-	-0.7%	-2.2%	-5.1%	-1.1%	-6.7%	28.3%

Note: (1) TSE REIT Index (w/ dividends) of the last trading day of a month. 12/31/04 = 100
(2) %chg: changes for each period.

Source: DataStream, compiled by SMAM.

3. Top 10 REIT Constituents in J-REIT

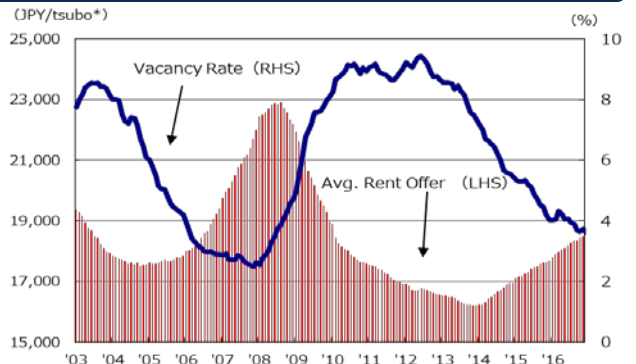
(# of TSE REIT Index Components:58)

REIT	CODE	Weight (%)
1 NIPPON BUILDING FUND	J8951	7.4
2 JAPAN REAL ESTATE INV.	J8952	7.1
3 NOMURA RLST.MASTER FUND	J3462	5.9
4 JAPAN RET.FD.INV.	J8953	5.3
5 UNITED URB.INV.	J8960	4.7
6 ORIX JREIT	J8954	4.3
7 DAIWA HOUSE REIT INV.	J8984	3.8
8 NIPPON PROLOGIS REIT	J3283	3.6
9 ADVANCE RESIDENCE INV.	J3269	3.5
10 JAPAN PRIME REALTY INV.	J8955	3.4
Others		50.9
Total		100.0

Source: DataStream, compiled by SMAM

(As of the end of April 2017)

4. Tokyo Office Rents and Vacancy Rates



Notes: (1) Based on a monthly basis, covering a period from January 2003 to Mar 2017
(2) Tokyo 5 wards: Chiyoda-ku, Chuo-ku, Minato-ku, Shinjuku-ku, and Shibuya-ku.
(3) Tsubo is a Japanese traditional unit of measuring area. One tsubo represents approx. 10.76 square feet or 3.3 square meters

Source: DataStream, compiled by SMAM.

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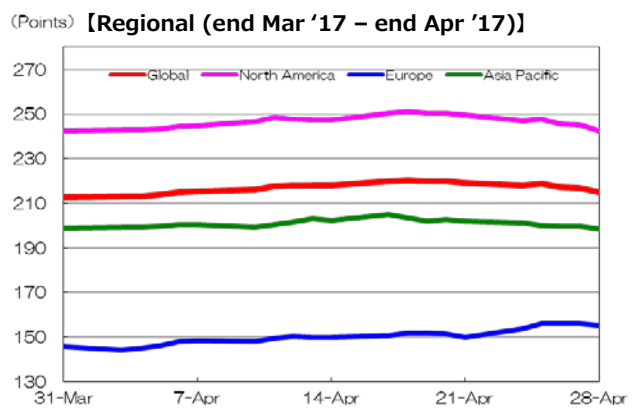
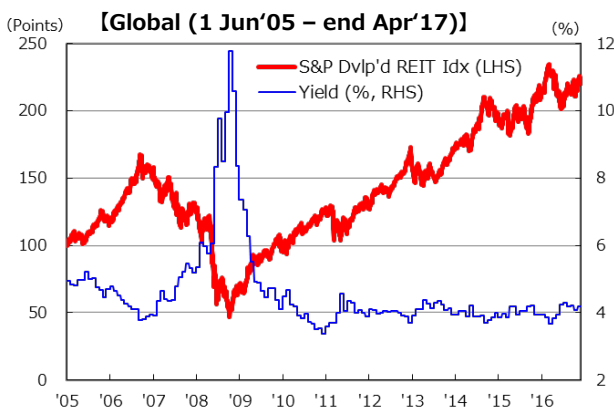
1. Global REIT Market Monthly Review (for April 2017)

The S&P Developed REIT Index (ex-Japan, with dividends, USD base) gained 1.0% in April. On a local currency basis, the REIT return rose 0.9% and the Forex return improved 0.1%.

The US REIT market rose until the middle of the month due to downward trend in US interest rates underpinned by concerns over geopolitical risks surrounding Syria and North Korea. However, towards the end of the month, the US REIT market turned to decline due to rise in US interest rates led by reduction in political risks in Europe. The European REIT markets advanced in favor of (i) growing expectation of ECB to continue accommodative monetary policy, and (ii) low possibility of Marine Le Pen, the leader of the National Front (FN), the far-right political party in France to win the second round of French Presidential Election following the first round results. The Australian REIT market went up supported by receded risk-off sentiment of the market.

Regarding the Forex factor, EUR and GBP advanced against JPY, while AUD weakened against JPY.

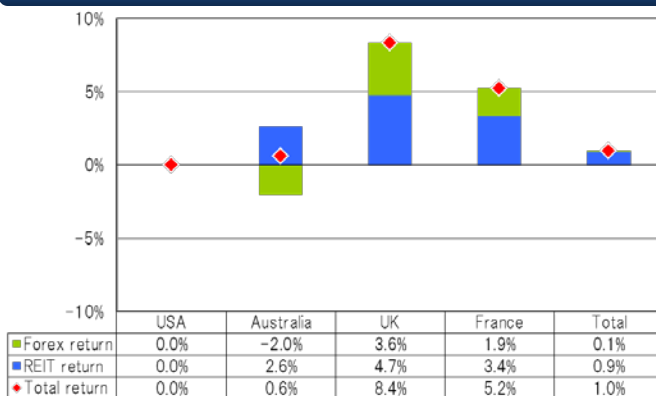
2. Global REIT Index (in USD)



As of 28 April 2017	1week ago 21-Apr-17	1month ago 31-Mar-17	3month ago 31-Jan-17	6month ago 31-Oct-16	1year ago 29-Apr-16	3years ago 30-Apr-14
Global	-1.8%	1.0%	2.8%	4.9%	3.9%	23.0%
North America	-2.9%	0.0%	0.9%	3.7%	5.2%	27.3%
Europe	3.7%	6.7%	11.4%	10.7%	-6.0%	-0.2%
Asia Pacific	-1.0%	1.3%	5.8%	6.5%	6.7%	25.2%

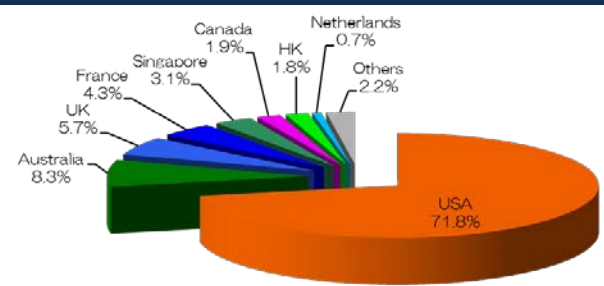
Note:
(1) Global index: S&P Developed REIT Index (ex-Japan, in USD)
Regional indexes are components of S&P Developed REIT Index.
(2) 6/1/05=100 for both charts
(3) % figures in the table indicate returns for each period
Source: FactSet, compiled by SMAM.

3. Return Contribution by Factors (Apr'17)



Note: Total-return breakdown of S&P Developed REIT Index (in USD) by forex and market factors, by countries.
Source: FactSet, compiled by SMAM.

4. Global % Weight by Markets (Apr'17)



	USA	Australia	UK	France	Total
% weight	71.8%	8.3%	5.7%	4.3%	100%
Monthly Return	0.0%	0.6%	8.4%	5.2%	1.0%
Contribution	0.0%	0.1%	0.5%	0.2%	-

Note: (1) S&P Developed REIT Index breakdown by country (ex-Japan, in USD).
(2) Contribution is calculated by multiplying each country's % weight by Monthly Return
Source: FactSet, compiled by SMAM.

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